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BEFORE THE MONTANA STATE AUDITOR
AND COMMISSIONER OF SECURITIES AND INSURANCE
HELENA, MONTANA

IN THE MATTER OF:) Case No. I-11-08-05-150

CASCADE EXPLORATION, INC. and)
CASCADE WATER HOLDINGS, INC.)
182 Alec Roy Road)
Roundup, MT 59072)
Nevada Corporations;)

GORDON WALTERS, individually,)
and in his capacity as President)
and Treasurer of Cascade)
Exploration, Inc. and President,)
Treasurer, and Director of)
Cascade Water Holdings, Inc.)
ANN WALTERS, individually, and)
in her capacity as Secretary of)
Cascade Exploration, Inc. and)
Cascade Water Holdings, Inc.;)
CALVIN STATELEN, individually.)
and in his capacity as a promoter)
for Cascade Exploration, Inc. and)
Cascade Water Holdings, Inc., and)
DANNY KEGEL, individually, and in)
his capacity as a promoter for)
Cascade Exploration, Inc. and)
Cascade Water Holdings, Inc.,)

Respondents.)

ORDER
(RE: MOTION FOR SUMMARY
JUDGMENT)

Pursuant to Rule 56 of the Montana Rules of Civil Procedure
(M. R. Civ. P.), the Securities Department of the Office of the
Montana State Auditor ("Department") on October 12, 2007,
submitted the "Department's Motion for Summary Judgment and
Supporting Brief," together with the attached affidavits of
Calvin Statelen, Steve Burstock, Darrell Kovach, John Hinman, and

1 Darla Niebur, each of whom is/was an investor of Respondent,
2 Cascade Exploration, Inc., Cascade Water Holdings, Inc., Gordon
3 Walters, and Ann Walters (Respondents). On October 18, 2007, the
4 Department submitted "Department's Supplemental Support for
5 Motion for Summary Judgment" together with the affidavits of Paul
6 Hinzen, Joan Marx, Blain Raad, and Kevin Sand, followed by
7 submittal on October 23, 2008, of the "Department's Additional
8 Supplemental Support for Motion for Summary Judgment" together
9 with the affidavit of Sterling Delbridge, and thereafter on
10 December 19, 2007, with "Department's Additional Supplemental
11 Support for Motion for Summary Judgment" sans the referenced
12 affidavit of Eric Haury, but which was subsequently received by
13 the undersigned on December 28, 2007.

14 On October 29, 2007, the Respondents submitted their
15 "Objection to Motion for Summary Judgment," followed by submittal
16 on December 3, 2007 of their "Order/Motion to Dismiss Without
17 Prejudice (UCC 1-207.4)". A similarly titled, but textually
18 different "Order/Motion to Dismiss Without Prejudice (UCC 1-
19 207.4)" was submitted by the Respondents on December 26, 2007.
20 The "Department's Opposition to Respondents' Motion to Dismiss"
21 was submitted on January 22, 2008.

22 MOTION FOR SUMMARY JUDGMENT

23 Summary judgment is proper only when no genuine issue of
24 material fact exists and the moving party is entitled to judgment
25 as a matter of law. Rule 56(c), M. R. Civ. P. Even if no
26 allegation is raised by a party against whom summary judgment is
27 sought, contending the existence of a genuine issue of material
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1 fact, the question becomes whether the moving party is entitled
2 to judgment as a matter of law. Rule 56(e) M. R. Civ. P. states
3 that even in the event an adverse party fails to respond to a
4 summary judgment motion, summary judgment shall be granted only
5 "if appropriate." Therefore, each of the instances for which a
6 party seeks summary judgment, must be affirmatively examined to
7 determine entitlement to judgment as a matter of law.

8 The Department seeks summary judgment relevant to the
9 elements of the cause of action for failure to properly register
10 as required by the Montana Securities Act, for omission of
11 material facts relevant to registration, and for omission of
12 material facts relevant to whether certain surety bonds were not
13 protected by the United States Small Business Administration.
14 Thus, the Department must show there are no facts in dispute
15 regarding each of these elements. The Department relies on its
16 discovery requests for admission and the subsequent letter sent
17 to Respondents regarding those requests for admission, as well as
18 the only response to those requests received. Additionally, the
19 Department relies on the sworn affidavits provided by Calvin
20 Statelen, Steve Burstock, Darrell Kovach, John Hinman, and Darla
21 Niebur.

22 Respondents' failure to deny the Department's discovery
23 requests for admission renders those facts deemed admitted and
24 therefore undisputed. Pursuant to Rule 36 M. R. Civ. P. "any
25 matter admitted" in response to a discovery request for admission
26 "is conclusively established." Rule 36(b), M. R. Civ. P. Where
27 a party fails to deny a matter set forth in a discovery request
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1 for admission within 30 days of the service of such request, the
2 matter is admitted. Rule 36(a), M. R. Civ. P. However, a party
3 may seek an order for withdrawal of such an admission. Rule
4 36(b), M. R. Civ. P. No such relief was sought by Respondents.

5 The Department served its first set of discovery requests on
6 Respondents Gordon Walters and Ann Walters and the two Cascade
7 corporations on or about May 31, 2007, which included four
8 admission requests. (Exhibit A to Department's Summary Judgment
9 Motion.)

10 On or about June 4, 2007, Respondents sent a letter to the
11 Department indicating the letter was a response to what
12 Respondents identify as a "service contract titled, [sic]
13 discovery request." (Exhibit B to Department's Summary Judgment
14 Motion.) In their letter dated June 4, 2007, Respondents
15 indicate the Department has "ten days from this date to show
16 proof of a valid contract with the" Respondents. (Exhibit B,
17 *supra*.) In a letter dated August 1, 2007, the Department
18 informed Respondents of their responsibility to answer the
19 Department's requests for admission and the potential consequence
20 of not responding. (Exhibit C to Department's Summary Judgment
21 Motion.) In its August 1, 2007, letter the Department also
22 allowed Respondents an additional two weeks to answer the
23 requests for admission despite the fact that more than 30 days
24 had lapsed since the Department served the discovery.

25 None of these Respondents answered the discovery. Rather,
26 Respondents wrote a letter to the Department dated August 6,
27 2007, indicating they were not going to respond to the discovery

1 until and unless the Department could demonstrate that "man made
2 laws are greater than 'God's Law'" within ten days. (Exhibit D
3 to Department's Summary Judgment Motion.) Furthermore,
4 Respondents indicated the required "proof" that man made laws
5 superseded God's law must be "signed by 'God.'"

6 At no time have the Respondents requested either an
7 extension of time to respond to the Department's discovery
8 requests for admission or to withdraw such admissions.
9 Respondents should have responded to the Department's discovery
10 requests, including the requests for admission not later than
11 early July, allowing for the mail. The Department took the extra
12 step of writing a letter to these Respondents urging responses to
13 the discovery well after the date such responses were due. This
14 step was taken in the interest of justice because the Respondents
15 are acting pro se. Nonetheless, these Respondents have chosen to
16 not only refuse to respond to the Department's discovery, but to
17 also seek preposterous affirmations from the Department signed by
18 "God."

19 As a result, the following four Requests for Admission
20 propounded to the Respondents are therefore deemed admitted:

21 REQUEST FOR ADMISSION NO. 1: Please admit that
22 you created false documents to appear as if they were
23 protected by the United States Small Business
24 Administration.

25 RESPONSE: [No response received.]

26 REQUEST FOR ADMISSION NO. 2: Please admit that
27 you are not registered securities salespersons in the
28 State of Montana.

RESPONSE: [No response received.]

1 REQUEST FOR ADMISSION NO. 3: Please admit that
2 Cascade is not registered to conduct securities
business in the State of Montana.

3 RESPONSE: [No response received.]

4 REQUEST FOR ADMISSION NO. 4: Please admit that
5 investments in Cascade are not properly registered
securities in the State of Montana.

6 RESPONSE: [No response received.]

7
8 These admitted facts, coupled with the witness affidavits
9 substantiating the undisputed facts supports the summary judgment
request of the Department.

10 Calvin Statelen (Statelen), a Respondent in this case,
11 entered into a consent agreement with the Department and was
12 subsequently dismissed from the case with prejudice. Due to his
13 status in the case and relationship with the other Respondents,
14 Statelen is in a position to have knowledge relevant to the
15 Department's summary judgment motion. Attached to the
16 Department's Summary Judgment Motion as Exhibit E is Statelen's
17 affidavit asserting certain facts. In addition, individuals
18 identified by the Department as victims in this matter also have
19 provided affidavits swearing to certain relevant facts. (Motion
20 Exhibits F through O, inclusive.) Respondents have failed to
21 deny certain facts pursuant to the Department's admission
22 requests. The first admission request submitted to Respondents
23 by the Department asked Respondents to "admit that [Respondents]
24 created false documents to appear as if they were protected by
25 the United States Small Business Administration." In his
26 affidavit, Statelen swears he invested \$25,000.00 "in Cascade
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1 Exploration, Inc. and Cascade Water Holdings, Inc., with Ann and
2 Gordon Walters that was evidenced by a 'surety bond' allegedly
3 protected by the United States Small Business Administration."
4 Respondents failed to deny "that [Respondents] are not registered
5 securities salespersons in the State of Montana." The
6 Department's review of its records shows that none of these
7 Respondents was ever registered as securities salespersons in
8 Montana. Statelen also swears in his affidavit that "Gordon and
9 Ann Walters solicited me to invest at least \$164,450 in Cascade
10 Exploration, Inc. and Cascade Water Holdings, Inc." Statelen
11 further swears that "Gordon and Ann Walters provided [him] stock
12 certificates representing . . . \$56,000 of [his] aggregate
13 investment in the two corporations." Additionally, Statelen
14 swears in his affidavit that "[n]either Ann nor Gordon Walters
15 ever told me they were not registered to sell securities in
16 Montana." Finally, Statelen swears in his affidavit that he
17 solicited investments from fourteen other individuals "on behalf
18 of Gordon and Ann Walters." The individuals Statelen solicited
19 "[c]ollectively . . . invested \$163,648.00 [of their money] in
20 Cascade Exploration or Cascade Water Holdings."

21 Investor, Steve Burstock (Burstock) swears in his affidavit
22 (Exhibit F) that he was "solicited to invest money in Cascade
23 Water Holdings on behalf of Gordon and Ann Walters." Burstock
24 swears he invested "\$500.00 and was provided with a stock
25 certificate evidencing" his investment. Burstock swears the
26 Walters never told him they were not registered to sell
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1 securities in Montana and "that the securities of Cascade Water
2 Holdings were not registered in Montana."

3 Investor Darrell Kovach (Kovach) swears in his affidavit
4 (Exhibit G) that he "was solicited to invest . . . in Cascade
5 Water Holdings" and that the solicitation was done "on behalf of
6 Gordon and Ann Walters." Kovach swears he invested \$1,200.00 and
7 "was provided with a stock certificate evidencing the
8 investment." Kovach swears the Walters never told him they were
9 not registered to sell securities in Montana and "that the
10 securities of Cascade Water Holdings were not registered in
11 Montana."

12 Investor John Hinman (Hinman) swears in his affidavit
13 (Exhibit H) that he "was solicited to invest . . . in Cascade
14 Water Holdings" and that the solicitation was done "on behalf of
15 Gordon and Ann Walters." Hinman swears he invested \$3,000.00 and
16 "was provided with a stock certificate evidencing the
17 investment." Hinman swears the Walters never told him they were
18 not registered to sell securities in Montana and "that the
19 securities of Cascade Water Holdings were not registered in
20 Montana."

21 Investor Darla Niebur (Niebur) swears in her affidavit
22 (Exhibit I) that she "was solicited to invest . . . in Cascade
23 Water Holdings" and that the solicitation was done "on behalf of
24 Gordon and Ann Walters." Niebur swears she invested \$150.00 and
25 "was provided with a stock certificate evidencing the
26 investment." Niebur swears the Walters never told her they were
27 not registered to sell securities in Montana and "that the

1 securities of Cascade Water Holdings were not registered in
2 Montana."

3 Investor, Paul Hintzen (Hintzen) swears in his affidavit
4 (Exhibit J) that he was "solicited to invest money in Cascade
5 Water Holdings on behalf of Gordon and Ann Walters." Hintzen
6 swears he invested "\$3,390.00 and was provided with a stock
7 certificate evidencing" his investment. Hintzen swears the
8 Walters never told him they were not registered to sell
9 securities in Montana or "that the securities of Cascade Water
10 Holdings were not registered in Montana."

11 Investor Joan Marx (Marx) swears in her affidavit
12 (Exhibit K) that she was "solicited to invest money in Cascade
13 Water Holdings on behalf of Gordon and Ann Walters." Marx swears
14 she invested "\$2,000.00 and was provided with a stock certificate
15 evidencing" her investment. Marx swears the Walters never told
16 her they were not registered to sell securities in Montana or
17 "that the securities of Cascade Water Holdings were not
18 registered in Montana."

19 Investor Blain Raad (Raad) swears in his affidavit
20 (Exhibit L) that he was "solicited to invest money in Cascade
21 Water Holdings on behalf of Gordon and Ann Walters." Raad swears
22 he invested "\$500.00 and was provided with a stock certificate
23 evidencing" his investment. Raad swears the Walters never told
24 him they were not registered to sell securities in Montana or
25 "that the securities of Cascade Water Holdings were not
26 registered in Montana."

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1 Investor Kevin Sand (Sand) swears in his affidavit
2 (Exhibit M) that he was "solicited to invest money in Cascade
3 Exploration on behalf of Gordon and Ann Walters." Sand swears he
4 invested "\$15,000.00 and was provided with a stock certificate
5 evidencing" his investment. Sand swears the Walters never told
6 him they were not registered to sell securities in Montana or
7 "that the securities of Cascade Exploration were not registered
8 in Montana."

9 Investor Sterling Delbridge (Delbridge) swears in his
10 affidavit (Exhibit N) that he was "solicited to invest money in
11 Cascade Water Holdings on behalf of Gordon and Ann Walters."
12 Delbridge swears he invested "\$11,500.00 and was provided with a
13 stock certificate evidencing" his investment. Delbridge swears
14 the Walters never told him they were not registered to sell
15 securities in Montana or "that the securities of Cascade Water
16 Holdings were not registered in Montana."

17 Investor Eric Haury (Haury) swears in his affidavit
18 (Exhibit O) that he was "solicited to invest money in Cascade
19 Exploration on behalf of Gordon and Ann Walters." Haury swears
20 he invested "\$15,000.00 and was provided with a stock certificate
21 evidencing" his investment. Haury swears the Walters never told
22 him they were not registered to sell securities in Montana or
23 "that the securities of Cascade Exploration were not registered
24 in Montana."

25 Each of the investors providing affidavits, including
26 Statelen, indicate the activity to which they swear occurred
27 between January 1, 2004, and January 1, 2007. Respondents failed
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1 to deny "that Cascade [Exploration, Inc. and Water Holdings,
2 Inc.] is not registered to conduct securities business in the
3 State of Montana." The Department's review of its records shows
4 that neither company is registered to conduct securities business
5 in Montana, nor were the companies' securities registered prior
6 to sales of their shares or stocks. Statelen swears in his
7 affidavit that "neither Ann nor Gordon Walters ever told me the
8 investments were not registered in Montana."

9 All of these unconstested sworn facts taken together lead to
10 the only supportable following conclusions of law: (1)
11 Respondents violated § 30-10-201, MCA, by failing to register as
12 securities salespersons before they offered or sold securities in
13 Montana; (2) Respondents violated § 30-10-202, MCA, by failing to
14 register the shares and/or stocks in Cascade Exploration, Inc.,
15 and Cascade Water Holdings, Inc., prior to offering or selling
16 these securities; (3) Respondents violated § 30-10-301, MCA, when
17 they solicited investors while omitting the material facts that
18 they were not registered to sell securities in Montana and the
19 securities they were offering and selling were not registered in
20 Montana, as required by law; and (4) Respondents violated § 30-
21 10-301, MCA when they solicited investors while omitting the
22 material fact that the "bonds" they offered and sold to Statelen
23 were not protected by the United States Small Business
24 Administration.

25 ORDER

26 Based on the foregoing, IT IS HEREBY ORDERED AS FOLLOWS:
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1 1. The December 3, 2007, and December 26, 2007, Motions to
2 Dismiss of the Respondents are denied.

3 2. The facts Respondents failed to deny in the
4 Department's requests for admission 1 through 4, inclusive, are
5 deemed admitted.

6 3. There are no genuine issues of material fact that
7 require resolution by the trier of fact as to the matters
8 presented in the Department's Motion for Summary Judgment.

9 4. The Motion for Summary Judgment of the Department is
10 granted.

11 5. The requests by the Department that Respondents be held
12 in violation of the Montana Securities Act, §§ 30-10-101, et
13 seq., MCA, for the following violations are granted:

- 14 a. Gordon Walters violated § 30-10-201, MCA, by
15 selling or offering securities without proper
 registration to conduct such business in Montana;
- 16 b. Gordon Walters violated § 30-10-301, MCA, by
17 misrepresenting that certain documents he created
18 were "surety bonds" that were protected by the
 United States Small Business Administration;
- 19 c. Gordon Walters violated § 30-10-301, MCA, by
20 omitting the material fact that he was not
 properly registered to conduct securities business
21 in Montana when he sold or offered to sell certain
22 securities to Calvin Statelen, Margaret Anderson,
23 Thomas Bergren, Dennis Bahmiller, Alberta Booth,
24 Diane Collins, Gina Colwell, Linda Conway, Sheila
 Forschee, Donald Gomke, Donald Leo, Dean Lotton,
 Myrla McCoy, Edward Nystrom, Marciel Thiel, Steve
 Burstock, Darrell Kovach, John Hinman, Darla
 Niebur, Paul Hintzen, Joan Marx, Blain Raad, Kevin
 Sand, Sterling Delbridge, and Eric Haury;
- 25 d. Gordon Walters violated § 30-10-301, MCA, each
26 time he solicited investors by omitting the
27 material fact that the securities he was selling
 or offering for sale were not properly registered
 in Montana;


- 1 e. Gordon Walters violated § 30-10-202, MCA, each
2 time he solicited investors by offering or selling
3 securities that were not properly registered in
4 Montana;
- 5 f. Ann Walters violated § 30-10-201, MCA, each time
6 she solicited investors by selling or offering
7 securities without proper registration to conduct
8 such business in Montana;
- 9 g. Ann Walters violated § 30-10-301, MCA, by
10 misrepresenting to Statelen that certain documents
11 she created were "surety bonds" that were
12 protected by the United States Small Business
13 Administration;
- 14 h. Ann Walters violated § 30-10-301, MCA, by omitting
15 the material fact that she was not properly
16 registered to conduct securities business in
17 Montana when she sold or offered to sell certain
18 securities to Calvin Statelen, Margaret Anderson,
19 Thomas Bergren, Dennis Bahmiller, Alberta Booth,
20 Diane Collins, Gina Colwell, Linda Conway, Sheila
21 Forschee, Donald Gomke, Donald Leo, Dean Lotton,
22 Myrla McCoy, Edward Nystrom, Marciel Thiel, Steve
23 Burstock, Darrell Kovach, John Hinman, Darla
24 Niebur, Paul Hintzen, Joan Marx, Blain Raad, Kevin
25 Sand, Sterling Delbridge, and Eric Haury;
- 26 i. Ann Walters violated § 30-10-301, MCA, each time
27 she solicited investors by omitting the material
28 fact that the securities she was selling or
offering for sale were not properly registered in
Montana;
- 29 j. Ann Walters violated § 30-10-202, MCA, each time
30 she solicited investors by offering or selling
31 securities that were not properly registered in
32 Montana;
- 33 k. Cascade Exploration, Inc. violated § 30-10-202,
34 MCA, each time investors purchased shares in the
35 company by failing to properly register as a
36 security in Montana; and
- 37 l. Cascade Water Holdings, Inc., violated § 30-10-
38 202, MCA, each time investors purchased shares in
the company by failing to properly register as a
security in Montana.
- 39 6. A \$5,000.00 fine for each of the above-identified
40 violations is imposed on the respective Respondents.

1 7. Respondents shall pay restitution to the victims herein
2 identified.

3 8. The Respondents Gordon Walters and Ann Walters are each
4 prohibited from registering as securities salespersons or
5 investment advisor representatives.

6 9. Respondents Cascade Exploration, Inc., and Cascade
7 Water Holdings, Inc., are each prohibited from registering as
8 securities in Montana.

9 Dated this 25th day of June, 2008.

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11 
12 Michael J. Rieley, Hearing Examiner


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14 CERTIFICATE OF SERVICE

15 I do hereby certify I served a copy of the foregoing Order
16 (Re: Motion for Summary Judgment) upon all parties of record on
the 25th day of June, 2008, by mailing, faxing, or hand
delivering a copy thereof to:

17 Ms. Roberta Cross Guns
18 State Auditor's Office
840 Helena Avenue
19 Helena, MT 59601

20 Cascade Exploration, Inc.
21 Cascade Water Holdings, Inc.
182 Alec Roy Road
Roundup, MT 59072

22 Mr. Gordon Walters
23 Ms. Ann Walters
182 Alec Roy Road
24 Roundup, MT 59072

25 
26 Gwendolyn A. Vashro